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GOVERNMENT AID TO THE NICARAGUA CANAL.

BY SENATOR JOHN T. MORGAN, OF ALABAMA.

IN THE testimony of Count Ferdinand de Lesseps, given before the Select Committee of the House of Representatives, March 8, 1880 (Mis. Doc. No. 16, 44th Congress, 3d Session), he said : "There were fourteen projects of canals presented at the Paris Congress, but the interest had entirely centred in the Nicaragua and Panama routes. . . . If it were determined to build a lock canal, and if there could not be a canal between the two oceans, except a lock canal, then there was no doubt that the Nicaragua route was the best route."

The Panama Canal Company, after years of exhaustive effort, and the expenditure of immense sums of money of the French people, the loss of which even threatens the republic, has demonstrated the fact that no other than a lock canal can be built and maintained across the Isthmus of Darien at any cost that the commerce of the world would be able to bear, as the basis of toll charges..

The abandonment of the effort to change the plan of the Panama Canal from a sea-level waterway to a canal with locks (for the amount of water at the highest level has settled that problem as being beyond the reach of successful solution) has verified the assurances of Mr. Menocal and Admiral Ammen, given to the Congress at Paris, that the work was impracticable.

If the canal was built with locks and if it could be supplied with water by steam pumping, according to the last desperate alternative suggested by the company's engineers when the sea-level plan was abandoned, the future use of the canal would be embarrassed with the other insurmountable difficulties thus

graphically presented by Mr. Eades in his testimony before the House Select Committee, on the same hearing (Mis. Doc. 10). Mr. Eades says :

“Anyone who contemplates the depth of the proposed cut through the several miles of the Cordilleras, and thinks of the frightful rains and tempests which prevail during six months of the year, can form some faint conception, perhaps, of the amount of material which would be washed down the side of this immense cut, as well as from all other parts of the canal and which must be continually dredged out of it to preserve its usefulness.

Other statements equally worthy of credit show that no work in that locality could be maintained against the destructive floods which would suddenly rush through, what Mr. Eades describes as, “the narrow and tortuous stream which Count de Lesseps proposes to locate at the bottom of an artificial cañon to be cut through the Cordilleras at Panama.”

These facts, and the opinions of many great engineers, eliminate all other canal projects from the necessity of further discussion, and leave us to consider alone the political and financial questions presented in the project of the Nicaraguan Canal, under the present concessions from Nicaragua and Costa Rica.

Those concessions are grants of rights, privileges and property to individuals, and through them to a corporation chartered in the United States. They have been complied with by that corporation, as to all the preliminary conditions, and have been confirmed as permanent grants by the governments of Nicaragua and Costa Rica.

In making these exclusive concessions these governments announce to the world a plan for the change of geographical conditions, in which all civilized nations have an interest, and, accordingly, they have so planned the canal and regulated its control as to give equal advantages without discrimination to the ships and commerce of all nations.

In this sense the concessions were a political covenant with mankind and, in this sense, it is obvious that “government aid” has, so far, supplied every element of the progress of the work. The canal is the creature, alone, of “government aid.” Without discussing the right of every maritime power, other than the United States, to claim that these concessions confer upon them privileges that they may insist shall not be withdrawn, to their detriment, it is clear that the concessions distinctly relate to the political right of the United States to have an influential part

in the project of changing the geography of the Western Hemisphere. It is provided in the concessions that "a company of execution" shall be formed, having its place of business in New York. A great corporation was contemplated which should own the concessions granted to American citizens, and that it should be subject to the laws of organization, control and administration to be enacted in the United States and enforced by like authority. All governments, and through them their people, are invited to become stockholders in the company styled in the concessions "The Maritime Canal Company of Nicaragua."

Nicaragua and Costa Rica are stockholders in the company and may vote for directors, and, through them, take part in all the doings of the directors. They are bound thereby to the full extent that is included in the grants and limitations of the concessions, as completely as the other stockholders are bound. They provide expressly for the ownership of stock in the canal company by other governments,—giving a preference to other American States in the right to subscribe for the stock. The corporation, therefore, is not only to be a public corporation, but international, and is to have governments, as its stockholders, that are to vote in the direction of the affairs of the company, including the governments that made the grants.

This is, necessarily, a very peculiar political situation, in connection with a geographical situation and its attendant necessities, that exists nowhere else in the world. It presents opportunities, rights and duties to the consideration and determination of the United States that are universally recognized as entitling us to a powerful, if not a dominant, influence in everything relating to the canal and its uses. The duties thus resting with us are well defined in the message of President Hayes when he said that "this must be an American canal, under American control."

The concessions made by Nicaragua and Costa Rica are in line with this declaration, and make it even more specific by the opportunity given to the United States to build the canal and make it subject to our control. When this new attitude had been sedately taken by those governments and was formulated in concessions to citizens of the United States—not less solemn, or obligatory, than formal treaties—Congress met the overture by granting a charter to "The Maritime Canal Company of Nicaragua,"

to be the "company of execution" provided for in the concession. Here was the concurrent "aid" of three governments to the canal. These three republics lent their sovereign powers in aid of this benefaction to mankind, without considering the question of its cost, or its value as an investment, and without the least thought that they could help a few favorites to grow rich ; or the least apprehension that, while they were all looking on at the dealings of the company of execution, and were represented in the company, any fraud or corruption could scandalize their great and patriotic work.

Congress accepted these concessions as the basis of its action, as was contemplated in their provisions, and conformed its legislation to the pledges of good faith towards our citizens in securing them the enjoyment and protection of their rights and privileges therein granted.

This was governmental control over the canal in accordance with the concessions, and Congress reserved the right to alter, amend, or repeal the charter, according to its pleasure. Congress also required the president and secretary of the canal company to make reports, under oath, from time to time, to the Secretary of the Interior, "giving such detailed statement of its officers and of its assets and liabilities as may be prescribed by the Secretary of the Interior, and any wilfully false statement so made shall be deemed perjury and punishable as such." Congress fixed the number of directors of the canal company and the manner of their election, the amount of the capital stock to be issued, and required that a majority of the Board of Directors shall be citizens and residents of the United States.

In these and other provisions of the charter, quite as important, Congress exercised legislative jurisdiction and political power over the corporation as full and complete as if this had been a domestic corporation. This, also, was "government aid" to the canal, strictly responsive to the action taken by Costa Rica and Nicaragua. It was aid without which the canal would not have been built or controlled by American citizens.

After Congress had taken this line of action and had thus created international obligations with two sister republics, and had assumed the duty of framing laws for creating and controlling "the company of execution," provided for in these concessions, for the benefit of all commercial countries, we had

thereby established very intimate governmental relations with this canal and its public and private promoters.

So intimate are these relations and so necessary to the preservation of the commerce, business interests and the social and political communication of our Eastern and Western States and people, and to the practical continuity of our coast line, and the safety of our country, that we may say that the United States has adopted the Nicaragua Canal as an instrumentality of government ; not a means of governing Nicaragua and Costa Rica, or any foreign people, or power, but as a means necessary to the better government of our own country.

To us, this canal is as much a means of government, as it is to those republics ; its distance from our possessions being the only real difference. It equally removes the barrier to water communication between the two oceans, for the benefit of each of the three republics, which is measured by twice the length of South America, and which is made extremely perilous by the dangerous navigation of the cold and turbulent seas of the Antarctic regions.

Following this result, this canal opens an easy and short route for the transit of the mails, for the passage of troops, and of ships of war and of commerce, and lessens the cost of naval armaments to all American States by about one-half. In the interest of the peace of the world, this is a blessing of incalculable value. There is no light in which this project can be viewed that does not disclose the practical necessity of this canal as an instrument of better government and a facility of actual government to the people, States and Federal Government of the United States.

No nation has the right, in view of the concessions made by Nicaragua and Costa Rica to our citizens, and of our legislation to aid and perfect those rights, to say to us that we shall not proceed to aid the canal by a subvention, or in any other way that is consistent with the sovereignty of Nicaragua and Costa Rica over their own domain.

Any other nation may as well demand of us the repeal of the charter granted by Congress to the canal company, as to say that we shall not make that legislation effectual by giving material aid to the building of the canal, and secure our government against loss. The Clayton-Bulwer treaty, our treaty with Nicaragua, concluded Aug. 21, 1867, and her treaty of Feb. 11, 1860, with

Great Britain, upon which our treaty was modelled, all look to and provide for this canal and for material aid to it. They only exclude the right of either power from acquiring sovereign rights in Nicaragua. If British subjects now held the concessions that are owned by our people, and if Parliament should charter a "company of execution," and grant it a subsidy or any form of aid, we should have nothing to interpose, in the way of logical argument, to prevent the British Empire from dominating the canal to the extent of every power, right and privilege included in these concessions. Nicaragua and Costa Rica could not present an argument, or a plausible protest, against such dominion by Great Britain, and we could only interpose an argument upon the Monroe Doctrine, as it was emasculated by the Clayton-Bulwer treaty, if we stood simply on our treaty relations for the measure of our rights.

But we are solemnly warned and assured by the convictions of every American heart that it would be dangerous, unpatriotic and cowardly in us to admit any trans-Atlantic power to usurp the place we naturally occupy towards that route of transit between the Atlantic and Pacific oceans. We have a duty in this matter, laid upon us by the hand of Providence, which we cannot evade, and a power to execute that command, which we cannot surrender, that compel us to take a decisive part in this greatest work laid out for human hands to complete. If our internal policy is not such as to make us the least and most impotent of all the great powers, and to fetter our hands when we would stretch them forth to enlarge our commerce, increase our mail facilities, lower the shipping charges upon our productions, increase our population and their industries, and send out fleets to protect our coasts and secure respect for our flag, there is no question as to our power and duty to aid in the construction of the Nicaragua Canal.

As to getting closer to the subject and exerting sovereign dominion over the canal in the country where it is located, which some enemies of the canal insist that we should do, the answer is that we would add nothing to our proper influence over the canal by this means, and, in doing this by force, we should dishonor ourselves in the esteem of sister republics that have always trusted the honor and integrity of the United States. Then, recent history would condemn us in the eyes of all

nations, for, when Nicaragua tendered to us almost the full measure of sovereignty over the territory occupied by the canal, we seemed to shrink from that opportunity, as the ghost of the Clayton-Bulwer treaty seemed to rise from its forgotten grave to warn us of danger. After that, it ill becomes us to say that we will have no canal unless we shall first have *usurped* the sovereignty over Nicaragua and Costa Rica.

The Suez Canal, with almost a hundred miles of continuous digging, cost about \$100,000,000; of this sum \$30,000,000 was wasted in interest, commissions, changes of location, and bad management. That canal has now a traffic of nearly 9,000,000 tons annually, and it must be speedily enlarged to accommodate the commerce that is crowding through it to the western coast of the Pacific Ocean. The Nicaragua Canal has $29\frac{1}{2}$ miles of canal prism, or axial, line. Of this one-third is very light dredging. The total length of this transit, from sea to sea, is $169\frac{1}{2}$ miles; of this line, $155\frac{1}{4}$ miles is slack water navigation at an elevation of 110 feet above the level of the sea.

This small lift is overcome by six locks—three on either side of the lake. The entire cost of the canal ready for use, as estimated by Mr. Menocal, allowing 25 per cent. for contingencies, is \$65,084,176. A board of five other great engineers went over Mr. Menocal's measurements and estimates with great care, and out of abundant caution, and not because of any substantial change in his figures, they added to his estimates another 20 per cent. for contingencies, and so changed his estimate as to make the total cost of the canal ready for service, \$87,799,570. It seems that this may be reasonably accepted as the outside possible cost of the canal.

But, if we run up the conjectural cost to \$100,000,000, the canal, if built for that sum, must be the most valuable property in the world, of its magnitude. The tonnage, annually, can scarcely fall below that of the Suez Canal. It will gradually exceed that amount. If it is two-thirds as great as that which passes through the St. Mary's Canal on the lakes it will equal 9,000,000 tons. Who does not know that it must be greater than the traffic supplied by so small an area of inland country?

A just estimate would be fixed, confidently, by the most careful and hesitating persons at 9,000,000 tons per annum, to say nothing of income from passengers, of whom swarms will emi-

grate to the Pacific coast. On this estimate we could place the tolls at the rate of one dollar per ton, and realize \$9,000,000 per annum. Take \$3,000,000 of this sum for maintenance of the canal, which will not exceed half that sum ; \$3,000,000 for interest on the bonded debt, and \$3,000,000 for the stockholders, and we will have a result that should excite the cupidity of the most grasping speculator. But the true friend of the industrial and commercial people will see in this result a saving to industry and commerce of more than one-half the charges for tonnage that are now paid to the Suez Canal.

If the United States is the owner of 80,000,000 of the 100,000,000 of the stock in this canal, and if it is to cost \$100,000,000 to build it, the dividends on that 80,000,000 of stock, employed in a sinking fund and invested in the bonds of the company, would pay the entire cost of construction and the interest on the bonds in less than fifty years.

These are some of the indisputable facts that show that it is a good financial operation, and a duty that concerns the honor, welfare and security of the United States. It is a project worthy to be accomplished as the closing splendor of the nineteenth century. Above all, it will stand as an example to mankind to prove that the great Republic of republics is the best form of political government for securing the welfare of the citizen and the fruits of his liberties. It will, indeed, be the crowning glory of this era that the Nicaragua Canal should be built by the aid, and controlled by the influence, of the United States.

The people who have money will build this canal, if no government takes it in hand. But some other government besides Nicaragua or Costa Rica will build and control it. The people of Europe built the Suez Canal when the profits of such an investment were vaguely conjectural. The French people poured hundreds of millions of francs into the Panama Canal scheme, and would repeat the investment if they had a hope of success. If their money had been honestly expended on the present line of the Nicaragua Canal, it would now be in operation, and we would be vainly endeavoring to get our rights there, as we are now doing with reference to the American railroad at Panama. The people will build this canal if some government does not build it, and they will not be American

people. It will cost the canal company \$250,000,000 to raise the money to build the canal, and our coastwise and foreign commerce will be taxed on that basis for its use. If we submit to that exaction, without causing a trouble that would spread through the world, it will be a new and dark chapter in our history. The just, wise and safe policy is to prevent such a disaster; to turn aside the temptation to careless indifference, and to prevent danger rather than to take the chances of finding a rough road to our future destiny.

A government that has given far more than \$100,000,000 to build trans-continental railroads should not fear to invest money, on an assured basis of profit, in order to give some of the advantages of fair competition in transportation charges to the great body of the industrial classes. Unpleasant scandals did attend the use of the money raised on the credit of the government, in the building of one of these railroads, but corruption was made possible by the absence of governmental control in the Board of Directors. A repetition of that wrong has become impossible. Two of these railroads now owe us more than \$100,000,000, and they can and must pay the debt. That money, when it falls into the Treasury, will more than replace all that we will expend in building the Nicaragua Canal, if we should sink every dollar of it. It has done a great work for the people of America and of the world—a work for which we would not be willing to take any conceivable sum of money. Those railroads are our pride, as a people. They are essential parts of our civilization and indispensable factors in our government; but they are becoming too much a burden upon our internal and external commerce. Water transportation through the Isthmus of Darien is to be the efficient and just competitor for trans-continental traffic, and will add immensely to their income, at lower rates of transportation, by the rapid increase of population on the Pacific slope. As we have aided great corporations by building railroads for them, let us now aid the people by building a canal that will make freights cheaper and will enrich the common treasury. If we will, we can use the money due us from the railroads to build the canal.

JOHN T. MORGAN.